

**MISSOURI HEALTH AND EDUCATIONAL
FACILITIES AUTHORITY**

**FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE
YEARS ENDED DECEMBER 31, 2006 AND 2005**

Missouri Health and Educational Facilities Authority

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Missouri Health and Educational Facilities Authority
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2006 and 2005

This section of the Missouri Health and Educational Facilities Authority (the “Authority”) annual financial report presents management’s discussion and analysis of the Authority’s operations and financial position during the fiscal years ended December 31, 2006 and 2005. This analysis should be read in conjunction with the independent auditors’ report, financial statements, notes to the financial statements and supplementary information.

BACKGROUND ON THE AUTHORITY

The Health and Educational Facilities Authority of the State of Missouri was created by an Act of the Missouri General Assembly and became operational in 1979. The Authority is a self-supporting entity under the Office of Administration of the State of Missouri. No taxing power exists and no appropriations or other State support are received by the Authority. It is empowered to make loans to any qualified health or educational institution and to refund outstanding obligations, mortgages or advances issued, made or given for the cost of the facilities.

The Authority assists not-for-profit institutions in borrowing funds at the lowest possible cost to provide quality medical and educational services to Missouri residents. Interest paid on Authority bonds and notes is exempt from Federal and Missouri state income taxation, resulting in materially lower interest rates for substantial savings on financing cost. Many types of health care and education institutions across the state arranged for health facilities ranging from fewer than 100 to over 1,000 beds, including acute and primary care facilities, teaching centers, medical research institutions, osteopathic hospitals, retirement and nursing homes, specialized care centers and alcoholic rehabilitation treatment centers. Educational financings include public universities, liberal arts colleges, major research universities and medical schools, institutions of specialized instruction, public school districts, private elementary and secondary schools and charter schools.

During 1985, the Authority became authorized to assist public school districts and community colleges with loans to fund shortfalls in operating funds during the school year.

In 1988, the Authority issued a series of bonds designed to assist organizations that provide care for persons affected by mental disabilities.

During 1995, the Authority was charged with developing guidelines for and the administration of the Direct Deposit Program, which provides strong credit ratings for Missouri school districts. The Authority also developed the HELP Program which provides low interest loans to small health care and educational facilities.

The Authority’s bonds and notes do not constitute a debt or liability of the State of Missouri or any political subdivision thereof, within the meaning of any State constitutional provision or statutory limitation. The credit supporting any Authority note or bond issue is the credit of the individual borrowing institution. The bonds and notes are limited obligations of the Authority payable solely from payments made by the borrowing institution.

Missouri Health and Educational Facilities Authority
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2006 and 2005
(Continued)

FINANCIAL HIGHLIGHTS

- MOHEFA's total net assets increased by \$778,220 from 2005 to 2006 and \$566,518 from 2004 to 2005.
- During the year ended December 31, 2006, MOHEFA's total revenues exceeded expenses by \$778,220. MOHEFA had operating expenses of \$773,260 in 2006 compared to \$830,432 in 2005 and operating revenues of \$1,218,539 compared to \$1,215,208 for those same years.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three basic statements presented within the financial report are as follows:

- Balance Sheet – This statement presents information reflecting the Authority's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities. The balance sheet is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or become due within one year of the statement date.
- Statement of Revenues, Expenses and Changes in Net Assets – This statement reflects the operating revenues and expenses during the year. Operating revenue is from administrative fees charged to health care and educational institutions. The change in net assets for an enterprise fund is similar to net profit or loss for any other business enterprise.
- Statement of Cash Flows – the statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease for the year.

The following summarizes the financial position of the Authority for the years ended December 31, 2006 and 2005.

ASSETS

	2006	2005	Increase (Decrease) 2006 vs. 2005
Current assets	\$7,590,691	\$6,662,460	\$928,231
Noncurrent assets	764,614	926,994	(162,380)
Total Assets	<u>\$8,355,305</u>	<u>\$7,589,454</u>	<u>\$765,851</u>

LIABILITIES AND NET ASSETS

Current liabilities	\$ 148,347	\$ 160,696	(\$ 12,349)
Net assets	<u>8,206,958</u>	<u>7,428,758</u>	<u>778,200</u>
Total Liabilities and Net Assets	<u>\$8,355,305</u>	<u>\$7,589,454</u>	<u>\$765,851</u>

Missouri Health and Educational Facilities Authority
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2006 and 2005
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The following summarizes the results of operations of the Authority for the years ended December 31, 2006 and 2005.

	2006	2005	Increase (Decrease) 2006 vs. 2005
Operating revenues	\$1,218,539	\$1,215,208	\$ 3,331
Operating expenses	<u>773,260</u>	<u>830,432</u>	<u>(57,172)</u>
Operating Income	445,279	384,776	60,503
Nonoperating revenue (expense):			
Interest income	<u>332,921</u>	<u>181,742</u>	<u>151,179</u>
Change in Net Assets	778,200	566,518	221,682
Total Net Assets – Beginning of Year	<u>7,428,758</u>	<u>6,862,240</u>	<u>566,518</u>
Total Net Assets – End of Year	<u><u>\$8,206,958</u></u>	<u><u>\$7,428,758</u></u>	<u><u>\$778,200</u></u>

ANALYSIS

Over 91% of operating revenue comes from the annual service fees paid by borrowers in order to take advantage of debt issuance through the Authority. Existing transactions remain at a high level and demand for new transactions is very strong. The Authority is confident that while its annual service fees are low compared to comparable issuers in other states, the fees are adequate to maintain the operations of the Authority. Interest on investments is the other minor component of total revenue. With interest rates recovering from near historic lows, this stream of revenue has increased significantly over the prior year.

The Authority issues bonds, notes and leases on behalf of various health systems, stand-alone hospitals, medical research institutions, long term care facilities, higher educational institutions, public school districts, private elementary and secondary schools and educational systems. In 2006, activity was approximately 61% health care and 39% education in terms of dollar volume and 38% and 62%, respectively, in terms of the number of transactions. Historically, activity has been approximately 65% health care and 35% education in terms of dollar volume and 50% each in terms of the number of transactions.

In addition, the Authority's direct loan HELP Program continues to be a success in providing low cost loans to very small health and education providers. The Missouri School District Direct Deposit Program finished the June 30, 2006 fiscal year with 95 transactions and \$751,544,941 in school district bonds. The Authority acts as Program Administrator and not issuer.

Missouri Health and Educational Facilities Authority
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2006 and 2005
(Continued)

ANALYSIS (Continued)

Fiscal year 2006 represented typical activity in terms of number of transactions. The 13 bond and note issues were almost exactly the Authority's historic annual average. Dollar volume of \$565,230,000 was slightly higher than the annual average.

ADMINISTRATION OF AUTHORITY CONDUIT DEBT

As of December 31, 2006, the Authority had outstanding \$5,933,748,435 of conduit debt in bonds, notes and leases. The total amount outstanding continues to grow as more money is borrowed through the capital markets than is paid off through calls, maturities, refundings, etc. which is well within the expectation, scope and purpose of the Authority. Transactions outstanding include publicly placed bonds rated by Standard & Poor's and Fitch and Moody's from AAA/Aaa through BBB-/Baa3, publicly placed bonds that are unrated, privately placed unrated bonds and notes with various short term ratings.

More detailed information regarding the outstanding and defeased debt of the Authority can be found in Note H to the financial statements and in the section at the back of the financial statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the Authority's finances and to demonstrate its accountability for the monies received. If you have questions about this report or need additional financial information, contact the Authority's Executive Director or Assistant Director at 15450 South Outer Forty Road, Suite 230, Chesterfield, Missouri 63017.



Independent Auditors' Report

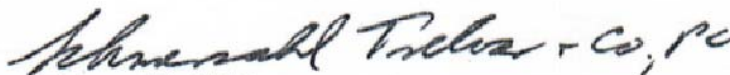
To the Members of the
Missouri Health and Educational Facilities Authority
Chesterfield, Missouri

We have audited the accompanying balance sheets of the Missouri Health and Educational Facilities Authority (the "Authority") as of December 31, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Health and Educational Facilities Authority as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages *i-iv* is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


February 28, 2007

FINANCIAL STATEMENTS

Missouri Health and Educational Facilities Authority
BALANCE SHEETS

ASSETS

	December 31,	
	2006	2005
CURRENT ASSETS		
Cash and cash equivalents	\$7,210,020	\$6,244,448
Receivables	178,334	129,997
Notes receivable, current portion	144,274	230,002
Prepaid expenses	<u>58,063</u>	<u>58,013</u>
Total Current Assets	<u>7,590,691</u>	<u>6,662,460</u>
NOTES RECEIVABLE	759,020	917,495
PROPERTY, PLANT, AND EQUIPMENT, net	<u>5,594</u>	<u>9,499</u>
TOTAL ASSETS	<u><u>\$8,355,305</u></u>	<u><u>\$7,589,454</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Deferred administrative fee income	\$ <u>148,347</u>	\$ <u>160,696</u>
NET ASSETS		
Unrestricted	8,201,364	7,419,259
Invested in capital assets	<u>5,594</u>	<u>9,499</u>
Total Net Assets	<u>8,206,958</u>	<u>7,428,758</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$8,355,305</u></u>	<u><u>\$7,589,454</u></u>

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority
**STATEMENTS OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS**

	<u>Years Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
REVENUE		
Administrative fees	\$1,114,918	\$1,083,671
Interest income – HELP program	50,241	61,967
Other	42,380	54,570
Application fees	<u>11,000</u>	<u>15,000</u>
Total Revenue	<u>1,218,539</u>	<u>1,215,208</u>
OPERATING EXPENSES		
Salaries and fringe benefits	322,276	315,602
Legal and professional fees	195,628	271,874
General and administrative expenses	<u>255,356</u>	<u>242,956</u>
Total Operating Expenses	<u>773,260</u>	<u>830,432</u>
Operating Income	445,279	384,776
NONOPERATING INCOME		
Investment income	<u>332,921</u>	<u>181,742</u>
CHANGES IN NET ASSETS	778,200	566,518
NET ASSETS, Beginning of year	<u>7,428,758</u>	<u>6,862,240</u>
NET ASSETS, End of year	<u><u>\$8,206,958</u></u>	<u><u>\$7,428,758</u></u>

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from others	\$1,187,681	\$1,254,718
Cash payments to suppliers for goods and services	(447,129)	(522,822)
Cash paid to employees for services and benefits	(322,276)	(315,602)
Net Change in Cash from Operating Activities	<u>418,276</u>	<u>416,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	-	(856)
Issuance of notes receivable	-	(200,000)
Payments received on notes receivable	244,203	255,840
Interest received	<u>303,093</u>	<u>164,594</u>
Net Change in Cash from Investing Activities	<u>547,296</u>	<u>219,578</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	965,572	635,872
CASH AND CASH EQUIVALENTS, Beginning of year	<u>6,244,448</u>	<u>5,608,576</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$7,210,020</u></u>	<u><u>\$6,244,448</u></u>

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES:

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 445,279	\$ 384,776
Adjustments to reconcile changes in net assets to net change in cash from operating activities:		
Depreciation	3,905	6,779
(Increase) decrease in assets:		
Receivables	(18,509)	32,350
Prepaid expenses	(50)	885
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	-	(15,656)
Deferred administrative fee income	(12,349)	7,160
Net Change in Cash from Operating Activities	<u><u>\$ 418,276</u></u>	<u><u>\$ 416,294</u></u>

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Missouri Health and Educational Facilities Authority (the "Authority") is a public instrumentality of the State of Missouri intended to provide an additional capital financing method for non-profit health and educational institutions within the State of Missouri. The Authority may issue tax-exempt revenue bonds, notes or other obligations on behalf of non-profit institutions for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the Authority, the State of Missouri or any political subdivision thereof, but are special obligations between the investors and the debtors payable solely from the payments received by the trustees under the loan agreements.

The Authority is a related organization to the State of Missouri, and as such, the State is accountable for the Authority.

Reporting Entity

The Missouri Health and Educational Facilities Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 *"The Reporting Entity."* The financial statements include all departments and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

Basis of Accounting and Revenue Recognition

The Authority is organized as a proprietary activity; therefore, the accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recorded when liabilities are incurred. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements and has elected to apply the following pronouncements issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins. The Authority has elected not to follow FASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers cash equivalents to include short-term investments which generally are investments with maturities of 90 days or less when purchased that are both (1) readily convertible to known amounts of cash, or (2) so near their maturity that they present insignificant risk of change in value because of changes in interest rates.

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31.

Accounts and Notes Receivables

The Authority uses the reserve method of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account, and bad debt expense is determined by adjusting the balance in the allowance account to reserves considered reasonable by management. Management believes that substantially all accounts receivable are collectible and, therefore, has not established an allowance for doubtful accounts at December 31, 2006 or 2005.

Deferred Administrative Fee Income

The Authority's revenues are derived from service fees assessed on a percentage of the outstanding bond principal of each issue. The institutions are generally billed in advance on a quarterly basis and revenues are recognized ratably over the period earned.

Concentration of Credit Risk

\$222,180 of the Authority's notes receivable are uncollateralized obligations of the non-profit institutions. (Note F)

Net Assets

Net assets represent the difference between assets and liabilities and are classified as either: capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets; restricted when there are limitations imposed on their use either by law through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments; and unrestricted for those net assets that do not meet the definition of invested in capital assets, net of related debt or restricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and Equipment

Property and equipment consists mainly of office furniture and equipment recorded at cost. Depreciation expense for fixed assets is recognized on the straight-line method over estimated useful lives ranging from 3 to 7 years. Property and equipment activity was as follows:

	December 31, 2004		December 31, 2005		December 31, 2006
	Balance	Activity	Balance	Activity	Balance
Total capital assets being depreciated	\$81,007	\$ 856	\$81,863	\$ -	\$81,863
Less accumulated depreciation	(65,585)	(6,779)	(72,364)	(3,905)	(76,269)
Total property and equipment, net	<u>\$15,422</u>	<u>(\$5,923)</u>	<u>\$ 9,499</u>	<u>(\$3,905)</u>	<u>\$ 5,594</u>

Financial Instruments

The carrying amount of cash and cash equivalents, accounts and grants receivable, prepaid expenses, and deferred income approximates fair value due to the short-term maturities of these instruments.

B. CASH AND CASH EQUIVALENTS

At June 30, 2006, the Authority had the following investments and maturities:

Investment Type	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
Total	<u>\$7,210,020</u>	<u>\$7,210,020</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority holds Federal National Mortgage Association notes, with maturities generally ranging from three to six months. The Authority's policy is to hold securities which mature or are redeemable at the option of the holder on a date or date prior to the time when the funds so invested will be required for expenditure.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The Authority's investments consist of Federal National Mortgage Association notes which are guaranteed by the full faith and credit of the United States of America as to principal and interest. The Authority's policy is defined by Missouri statute and limits investments to securities guaranteed by the federal government, states or Federal Deposit Insurance Corporation.

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005
(Continued)

B. CASH AND CASH EQUIVALENTS (Continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the concentration of an entity's investment in a single issuer. The Authority's policy is defined by Missouri statute and limits investments to securities guaranteed by the federal government, states or Federal Deposit Insurance Corporation.

At the year-end, 100% of the Authority's investments were Federal National Mortgage Association notes which are guaranteed by the U.S. government.

C. LEASE COMMITMENT

The Authority leases office space under a seventy-two month office lease agreement that was entered into in April 1997 and amended April 2003. For the years ending December 31, 2006 and 2005, rent expense was \$72,323 and \$70,734, respectively. The lease expires in 2009 with \$169,702 remaining to be paid under the agreement.

D. PENSION PLAN

The Authority has a defined contribution retirement plan covering all full-time employees. The Authority contributes to the plan, on a quarterly basis in arrears, an amount equal to twenty percent of each qualified employee's salary. Such contributions are fully vested. For the years ending December 31, 2006 and 2005, expenses under this plan were \$47,632 and \$45,800, respectively.

E. DEFERRED COMPENSATION PLAN

The Authority has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Authority employees who qualify under the plan terms, and permits employees to defer a portion of their salary until future years. As required by the Internal Revenue Code, the plan assets have been placed in a trust for the exclusive benefit of the employees and are not the property of the Authority or subject to the claims of the Authority's general creditors. Accordingly, the assets of the plan are not reflected in the financial statements.

F. NOTES RECEIVABLE

The Authority has made loans to small and rural providers of health and educational services at an interest rate of 5% per annum on outstanding balances. These loans require monthly principal and interest payments and have a maturity of ten to twenty years. At December 31, 2006 and 2005, the interest bearing notes receivable are as follows:

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005
(Continued)

F. NOTES RECEIVABLE *(Continued)*

	<u>Due</u>	<u>2006</u>	<u>2005</u>
Central Methodist College	2009	\$ 59,706	\$ 81,579
Clayton Child Care Center	2006	-	4,220
Community Hospital	2013	137,696	155,728
I-70 Medical Center	2015	173,410	189,781
Macon County Samaritan Hospital	2006	-	24,834
North Central Missouri College	2007*	-	28,985
Northeast Missouri Health Council	2006	-	6,800
Northeast Missouri Health Council	2022	171,361	177,826
Northwest Health Services, Inc.	2006	-	12,298
Northwest Health Services, Inc.	2012	87,874	102,156
Northwest Health Services, Inc.	2014	164,481	181,221
Preferred Family Healthcare	2010	83,987	104,866
Putnam County Memorial Hospital	2007	24,779	48,353
St. Charles Montessori School, Inc.	2007*	-	28,850
Total Notes Receivable		903,294	1,147,497
Current Portion		(144,274)	(230,002)
Notes Receivable, Non-Current		<u>\$ 759,020</u>	<u>\$ 917,495</u>

* Amount was paid in full during 2006.

G. CONDUIT DEBT OBLIGATIONS

The Authority has issued debt obligations on behalf of certain non-profit institutions for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the Authority, the State of Missouri or any political subdivision thereof, but are special obligations between the investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in Governmental Accounting Standards Board Interpretation No. 2, Disclosure of Conduit Debt Obligations. The number of issues and principal amount outstanding at December 31, 2006 and 2005 are as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Number of Issues</u>	<u>Principal Amount</u>	<u>Number of Issues</u>	<u>Principal Amount</u>
Revenue Bonds Payable	137	\$5,901,893,435	135	\$5,832,956,271
School District Advance Funding and Private Education Notes Payable	8	31,855,000	12	38,145,000
Total	<u>145</u>	<u>\$5,933,748,435</u>	<u>147</u>	<u>\$5,871,101,271</u>

**REQUIRED
SUPPLEMENTAL
INFORMATION**



**Independent Auditors' Report
On Additional Information**

To the Members of the
Missouri Health and Educational Facilities Authority
Chesterfield, Missouri

Our report on our audit of the basic financial statements of the Missouri Health and Educational Facilities Authority for the year ended December 31, 2006 and 2005 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Conduit Debt is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Schmersahl Treloar & Co., PC
February 28, 2007

Missouri Health and Educational Facilities Authority

SCHEDULE OF CONDUIT DEBT

UNAUDITED December 31, 2006 and 2005

MORTGAGE AND REVENUE BONDS PAYABLE

The following revenue bonds of the Authority are collateralized by either or both of a pledge of the revenues of the borrowing institution or by first mortgages on the physical property financed with the proceeds of the debt offerings and by the Authority's assignment of its interest in the mortgaged properties to the trustees of the bond issues at December 31, 2006 and 2005:

PUBLIC PLACEMENT REVENUE BONDS PAYABLE

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2006	2005
Academie Lafayette	2003	2028	(1)	\$ 2,550,000	\$ 2,550,000
Ascension Health	2003	2026-2039	(1)	295,375,000	295,375,000
Assemblies of God	2001	2026	(1)	59,900,000	75,600,000
Barstow School	1998	2003-2023	4.20-5.40	3,205,000	3,320,000
Barstow School	2003	2026	(1)	5,900,000	5,900,000
BJC-Barnes Hospital	1985	2003-2015	(1)	26,500,000	28,400,000
BJC Health System	1993	2003-2021	4.40-6.00	107,415,000	117,705,000
BJC Health System	1998	2022-2038	5.00	-	225,000,000
BJC Health System	2003	2016-2033	4.125-5.25	221,000,000	221,000,000
BJC Health System	2005AB	2015-2034	4.125-5.00	157,890,000	157,890,000
BJC Health System	2006ABC	2015-2038	(1)	243,575,000	-
Bethesda Health Group Inc.	2001AB	2031	(1)	50,565,000	51,520,000
Bethesda Health Group Inc.	2004	2005-2034	(1)	9,995,000	9,995,000
Bethesda Health Group Inc.	2006	2036-2038	(1)	9,995,000	-
Capital Region Medical	1998	2003-2028	4.00-5.30	21,235,000	21,760,000
Capital Region Medical	2004	2005-2029	2.25-5.75	16,760,000	17,135,000
Central Missouri State University	1999	2003-2010	4.25-5.05	2,895,000	3,700,000
Central Missouri State University	2002	2003-2017	1.25-4.35	11,400,000	12,255,000
The Children's Mercy Hospital	1998	2003-2028	4.20-5.30	19,130,000	19,340,000
The Children's Mercy Hospital	2002	2005-2032	(1)	48,775,000	49,400,000
The Children's Mercy Hospital	2003	2004-2018	(1)	27,500,000	27,500,000
Christian Brothers College HS	2002ABC	2032	(1)	50,000,000	50,000,000
Churchill School	2006	2008-2026	(1)	8,000,000	-
City Academy	2003	2023	(1)	1,960,000	1,960,000
Cox Medical Center	1992	2003-2022	4.50-6.70	12,602,292	12,602,292
Cox Medical Center	1993	2003-2015	5.00-5.35	36,270,000	39,210,000
Cox Medical Center	1997	2003-2015	(1)	27,400,000	30,000,000
Cox Medical Center	2002	2003-2022	(1)	70,600,000	74,500,000
Deaconess Long-Term Care	1996	2003-2016	(1)	24,970,000	26,460,000
Deaconess Long-Term Care	2000	2003-2030	(1)	6,100,000	6,230,000
De Smet Jesuit High School	2002	2027	(1)	15,000,000	15,000,000
Drury University	1999A	2003-2024	(1)	26,830,000	27,830,000
Drury University	2003	2028	(1)	5,475,000	5,475,000
Fontbonne College	1998	2003-2023	4.20-5.25	7,500,000	7,775,000
Freeman Health System	1994	2003-2024	6.50-7.20	46,670,000	46,670,000
Freeman Health System	1998	2003-2028	4.40-5.25	18,845,000	20,040,000
Jefferson Memorial Hospital	2004	2005-2028	2.30-5.25	36,365,000	36,825,000
Jefferson Memorial Hospital	2005	2006-2015	3.00-4.25	6,975,000	7,440,000
John Burroughs School	2003	2004-2014	1.25-4.20	5,000,000	5,555,000
K.C. Univ. of Med. & Biosciences	2001	2003-2031	2.75-5.00	7,800,000	7,900,000
Kansas City Art Institute	2005	2035	(1)	12,000,000	12,000,000
Lake Regional Health System	1996	2003-2021	5.25-6.50	4,200,000	4,715,000
Lake Regional Health System	1998	2003-2024	4.20-5.25	31,990,000	32,670,000
Lake Regional Health System	2003	2005-2034	2.35-5.70	26,600,000	27,040,000

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PUBLIC PLACEMENT REVENUE BONDS PAYABLE (Continued)

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2006	2005
Lutheran Church Extension Fund	2004A	2029	(1)	\$ 32,425,000	\$ 32,425,000
Lutheran HS Assoc. Project	2002	2022	(1)	5,000,000	5,000,000
Lutheran Senior Services	1997	2003-2023	5.0-5.875	20,390,000	21,095,000
Lutheran Senior Services	2000	2031	(1)	49,060,000	50,000,000
Lutheran Senior Services	2005A	2024-2035	4.60-5.375	30,000,000	30,000,000
Lutheran Senior Services	2005B	2006-2027	3.15-5.125	21,740,000	21,900,000
Maryville University	1997	2003-2017	4.70-5.75	-	7,020,000
Maryville University	2000	2022-2030	6.50-6.75	-	15,000,000
Maryville University	2006	2007-2030	3.70-5.00	24,600,000	-
Missouri Baptist College	1998	2003-2023	4.20-5.15	3,155,000	3,270,000
Missouri Baptist College	2003	2022	(1)	7,420,000	7,420,000
Missouri Pooled Hospital Loan Program	1999A	2003-2029	(1)	15,975,000	16,645,000
Missouri Valley College	2001	2031	(1)	7,845,000	7,985,000
National Benevolent Assn.	1994	2003-2024	4.50-6.10	3,420,000	3,420,000
National Benevolent Assn.	1996A	2003-2026	5.70-6.75	2,080,000	2,080,000
National Benevolent Assn.	1996B	2003-2026	(1)	2,390,000	2,390,000
National Benevolent Assn.	1999	2003-2028	(1)	2,575,000	2,575,000
Park College	1999	2003-2019	5.55-5.875	4,800,000	5,025,000
Pembroke Hill School	1998	2003-2023	(1)	13,000,000	13,250,000
Pembroke Hill School	2000	2003-2025	(1)	9,100,000	9,250,000
Pembroke Hill School	2001	2003-2026	(1)	9,250,000	9,400,000
Ranken Technical College	2003	2004-2017	(1)	6,880,000	7,395,000
Rockhurst High School	1998AB	2003-2023	4.00-5.10	11,490,000	11,930,000
Rockhurst High School	2002	2027	(1)	5,500,000	5,500,000
Rockhurst High School	2006	2031	(1)	5,000,000	-
Rockhurst University	1999	2003-2028	3.50-5.50	13,475,000	13,805,000
Rockhurst University	2002	2003-2032	(1)	25,265,000	25,805,000
Sisters of Mercy	2001ABC	2031	(1)	378,300,000	378,300,000
Sisters of Mercy	2004ABC	2004-2019	(1)	115,225,000	121,750,000
Southwest Baptist University	1998	2003-2023	4.55-5.40	5,620,000	5,820,000
Southwest Baptist University	2003	2006-2033	(1)	7,815,000	8,000,000
Southwest Missouri State Univ.	2002	2003-2016	1.35-4.35	4,085,000	4,430,000
SSM Health Care	1998	2003-2022	5.00-5.50	81,000,000	88,060,000
SSM Health Care	2001A	2012-2028	5.25	28,210,000	28,210,000
SSM Health Care	2002AB	2003-2020	(1)	92,365,000	103,290,000
SSM Health Care	2005ABCD	2008-2035	(1)	753,900,000	753,900,000
St. Anthony's Medical Center	2005AB	2006-2030	(1)	84,500,000	86,600,000
St. Anthony's Medical Center	2006AB	2009-2036	(1)	70,000,000	-
St. Francis Medical Center	1996	2003-2026	(1)	20,130,000	20,725,000
St. John Vianney H.S.	2005	2030	(1)	5,000,000	5,000,000
St. John Vianney H.S.	2006	2018	(1)	3,500,000	-
St. Louis Charter School	2002AB	2003-2023	4.35-5.10	5,695,000	5,845,000
St. Louis College of Pharmacy	2001	2003-2031	3.00-5.25	-	47,455,000
St. Louis College of Pharmacy	2006	2007-2027	3.20-4.40	45,755,000	-
St. Louis Priory School	2000	2003-2025	4.45-5.65	5,615,000	5,785,000
St. Louis University	1991	2003-2016	6.15-6.625	-	412,187
St. Louis University	1996	2003-2026	4.20-5.20	-	43,750,000
St. Louis University	1998	2003-2018	4.00-5.50	45,605,000	48,700,000
St. Louis University	1999AB	2003-2024	5.00	51,785,000	54,265,000
St. Louis University	2002	2003-2032	(1)	12,535,000	13,425,000

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PUBLIC PLACEMENT REVENUE BONDS PAYABLE (Continued)

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2006	2005
St. Louis University	2003A	2003-2016	(1)	\$ 10,485,000	\$ 15,380,000
St. Louis University	2005A	2017-2035	(1)	71,600,000	71,600,000
St. Louis University	2006A	2007-2035	(1)	100,950,000	-
St. Louis University HS	1999	2003-2028	3.40-5.041	15,730,000	16,145,000
St. Luke's Episc.-Presb. Hospital	2001	2003-2026	3.35-5.25	90,065,000	92,695,000
St. Luke's Health System	1996	2003-2021	4.30-5.375	25,510,000	26,505,000
St. Luke's Health System	2003AB	2020-2032	(1)	125,000,000	125,000,000
St. Luke's Health System	2004A	2004-2019	2.00-5.00	83,480,000	87,970,000
St. Luke's Health System	2005AB	2020-2035	(1)	97,400,000	100,000,000
St. Pius-KC/St. Joseph Diocese	2004AB	2029	(1)	6,200,000	6,200,000
Stephen's College	1999	2003-2029	4.50-5.70	3,935,000	4,010,000
Stowers Institute	2000	2035	(1)	215,000,000	215,000,000
Stowers Institute	2002	2032-2036	(1)	75,000,000	75,000,000
Truman Medical Center	2005	2014	(1)	8,400,000	8,400,000
University of Missouri Arena Project	2001	2004-2021	3.00-5.00	30,855,000	32,285,000
Visitation Academy	1999	2005-2009	4.15-4.50	3,935,000	5,140,000
Washington University	1984	2003-2009	(1)	5,900,000	8,000,000
Washington University	1985	2003-2010	(1)	6,400,000	7,600,000
Washington University	1996	2030	(1)	142,400,000	142,400,000
Washington University	1998	2037	4.75-5.00	105,770,000	105,770,000
Washington University	2000ABC	2030-2040	(2)	88,000,000	88,000,000
Washington University	2001A	2011-2041	5.25-5.50	176,490,000	176,490,000
Washington University	2001B	2030	5.00	73,355,000	73,355,000
Washington University	2003A	2033	5.00	93,430,000	93,430,000
Washington University	2003B	2033	(1)	25,135,000	25,135,000
Washington University	2004AB	2006-2034	(1)	98,300,000	100,000,000
Washington University	2005A	2006-2022	3.00-5.00	19,830,000	20,780,000
Webster University	2001	2003-2027	3.625-5.30	31,715,000	32,580,000
William Jewell College	2005	2006-2035	2.75-4.450	17,355,000	17,880,000
William Woods Univ.	1999	2003-2029	3.50-5.20	6,980,000	7,145,000
Total Public Placement Revenue Bonds Payable				<u>\$5,833,792,292</u>	<u>\$5,776,444,479</u>

PRIVATE PLACEMENT REVENUE BONDS PAYABLE

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2006	2005
Community School Assn.	1996	2003-2016	6.95	\$ 630,401	\$ 679,132
Dialysis Clinic	1998	2003-2018	(1)	3,000,000	3,100,000
Dialysis Clinic	2000	2020	(1)	3,300,000	3,500,000
Family Care Health Center	2001	2003-2019	6.53	2,734,364	2,847,073
Forsyth School	1996	2003-2016	6.99	784,800	839,700
Forsyth School	2004	2006-2024	(1)	3,694,444	3,800,000
Kansas City Academy	1993	2003-2013	6.50	94,497	105,831
Lake Regional Health System	1999	2003-2006	6.10	-	303,951
Lake Regional Health System	2001	2003-2006	5.38	-	343,612

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PRIVATE PLACEMENT REVENUE BONDS PAYABLE *(Continued)*

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2006	2005
Lake Regional Health System	2004AB	2004-2009	3.44-3.49	\$ 1,118,618	\$ 1,588,397
Life Flight Eagle	2003	2004-2013	5.25	3,841,906	4,037,763
Living Word Christian School	2002	2003-2027	(1)	4,342,334	4,473,487
Lutheran High School					
Association of St. Charles	2003A	2004-2023	(1)	2,799,594	2,922,700
Messiah Lutheran School	2005	2006-2030	4.675	5,942,493	6,045,000
SSM Health Care	2001B	2003-2008	3.73-4.23	236,283	1,906,362
SSM Health Care	2002	2003-2012	4.27	2,014,054	3,691,768
SSM Health Care	2003B	2003-2008	3.09	3,583,574	5,546,310
SSM Health Care	2004	2004-2009	3.65	5,723,774	7,667,496
SSM Health Care	2006	2006-2011	3.79	9,543,570	-
Truman Medical Center	2002	2003-2012	5.47	2,716,437	3,113,210
Truman Medical Center	2006ABC	2007-2018	5.20-5.435	12,000,000	-
Total Private Placement Revenue Bonds Payable				68,101,143	56,511,792
Total Revenue Bonds Payable				<u>\$5,901,893,435</u>	<u>\$5,832,956,271</u>

- (1) Rate fluctuates within established minimum and maximum ranges.
 (2) Interest rate range applies to a portion of this bond issue, and a variable rate applies to the remainder.

SCHOOL DISTRICT ADVANCE FUNDING AND PRIVATE EDUCATION NOTES PAYABLE

The Authority issues public school notes for the purpose of providing funds to purchase the tax and revenue anticipation notes ("TRANS") of certain Missouri school districts and to assist them in maintaining an orderly cash flow. These notes are collateralized by the "TRANS", bear interest at the rate of 4.00% per annum, and are issued pursuant to Indentures of Trust. At December 31, 2006 and 2005, total public school notes outstanding were \$15,005,000 and \$22,850,000, respectively. The notes have a one year term and mature on November 2, 2007 and October 27, 2006, respectively.

The Authority also issues private education notes for the purpose of providing funds, assisting in capital projects and maintaining orderly cash flows. The notes bear interest at a rate of 4.00 – 4.75% per annum, are issued pursuant to an Indenture of Trust and are secured by a pledge of the Trust Estate, using any and all available resources. At December 31, 2006 and 2005, total private education school notes outstanding were \$16,850,000 and \$15,295,000, respectively. The notes have a one year term and mature on April 25, 2007 and April 25, 2006, respectively.

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
 UNAUDITED December 31, 2006 and 2005
(Continued)

At December 31, 2006 and 2005, the outstanding public school and private education notes payable were as follows:

<u>Institution</u>	<u>2006</u>	<u>2005</u>
PUBLIC SCHOOL NOTES PAYABLE		
Albany School District	\$ -	\$ 450,000
Brentwood School District	960,000	-
Cape Girardeau School District	-	1,500,000
Maryville R-II School District	1,535,000	1,700,000
Mehlville R-IX School District	8,510,000	10,000,000
Park Hill School District	-	4,000,000
Webster Groves School District	<u>4,000,000</u>	<u>5,200,000</u>
Total Public School Notes Payable	<u>15,005,000</u>	<u>22,850,000</u>
PRIVATE EDUCATION NOTES PAYABLE		
Central Methodist University	2,000,000	2,000,000
Drury University	6,350,000	-
Evangel University	3,000,000	3,000,000
Missouri Valley College	-	1,200,000
Missouri Valley College	-	500,000
Rockhurst University	5,500,000	7,380,000
Rockhurst University	<u>-</u>	<u>1,215,000</u>
Total Private Education Notes Payable	<u>16,850,000</u>	<u>15,295,000</u>
Total Public School and Private Education Notes Payable	<u><u>\$31,855,000</u></u>	<u><u>\$38,145,000</u></u>

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
 UNAUDITED December 31, 2006 and 2005
(Continued)

MATURITIES OF OUTSTANDING CONDUIT DEBT OBLIGATIONS

The aggregate maturities of the outstanding conduit debt obligations above at December 31, 2006, are as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2007	145,777,268	2019	145,221,284	2031	240,225,000
2008	127,438,386	2020	145,192,749	2032	256,420,000
2009	127,516,635	2021	182,253,684	2033	264,255,000
2010	128,819,608	2022	144,111,439	2034	120,785,000
2011	133,852,061	2023	136,360,699	2035	318,200,000
2012	129,465,776	2024	158,872,387	2036	114,820,000
2013	121,312,051	2025	182,738,835	2037	126,575,000
2014	177,797,940	2026	344,986,751	2038	21,595,000
2015	156,930,859	2027	220,033,333	2039	193,325,000
2016	171,644,298	2028	181,897,987	2040	98,465,000
2017	117,542,182	2029	215,671,895	2041	58,100,000
2018	124,390,569	2030	401,154,759		
					<u><u>\$5,933,748,435</u></u>

DEFEASED BOND ISSUES

Since 1983, certain institutions obtained financing to advance refund and defease their outstanding Revenue Bonds through the Authority.

Pursuant to the requirements of the bond loan agreements, the institutions have deposited amounts into escrow trust accounts sufficient to pay all outstanding principal, interest and redemption premiums as they become due. The amounts so transferred are pledged solely for the holders of the outstanding bonds.

At December 31, 2006 and 2005, the following amounts of advance refunded and defeased bonds were outstanding:

<u>Institution</u>	<u>Series</u>	<u>2006</u>	<u>2005</u>
BJC Health System	1998	\$225,000,000	\$ -
Central Missouri State University	1995	6,340,000	6,340,000
Lake Regional Health System	1996	-	8,595,000
Lutheran Senior Services	1996A	-	22,455,000
Maryville University	1997	6,590,000	-
Maryville University	2000	15,000,000	-
Missouri College Savings Bonds	1989	2,938,424	4,075,404
St. Anthony's Medical Center	2000	79,860,000	81,305,000
Washington University	2000	67,000,000	67,000,000
William Jewell College	1999	8,000,000	8,000,000
Total Defeased Bond Issues		<u><u>\$410,728,424</u></u>	<u><u>\$197,770,404</u></u>

Due to the defeasance of these bond issues, the bonds payable balances are not included in the Schedule of Conduit Debt Obligations above.